



Q3

THIRD QUARTER RESULTS 2018



Highlights

Q3 2018

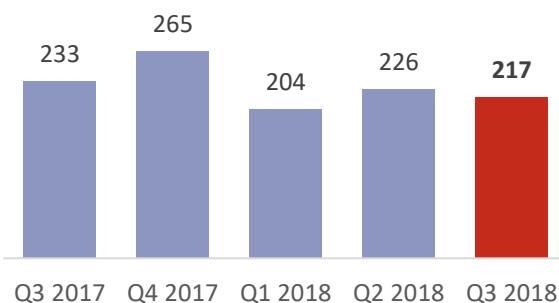
- 217 MNOK in revenues, down 7% YoY as very strong growth in non-tolling business areas partly compensated for high project revenues in Slovenia in Q3 2017
- 16 MNOK in EBITDA (7% margin), compared with 33 MNOK in Q3 2017 adj. for non-recurring items
- 254 MNOK in order intake, significantly up from 100 MNOK in Q3 2017
- 16 MNOK in operating cash flow and positive free cash flow of 7 MNOK
- New long-term financing signed with increased flexibility and limits to secure organic growth

30.09.2018

- 647 MNOK in revenues, down 9% YoY due to portfolio adjustments and 2017 impact of Slovenia
- 62 MNOK in EBITDA (10% margin) compared to 71 MNOK YTD 2017 adj. for non-recurring items
- 122 MNOK in operating cash flow, up from -60 MNOK YTD 2017
- Order intake of 710 MNOK, up 226 MNOK compared to YTD 2017

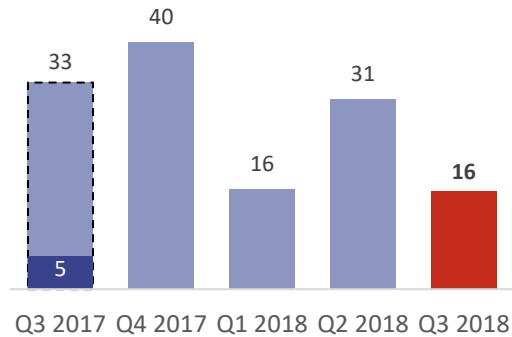
REVENUES LAST 5 QUARTERS

MNOK



EBITDA LAST 5 QUARTERS

MNOK



ORDER INTAKE LAST 5 QUARTERS

MNOK



ORDER BACK LOG LAST 5 QUARTERS

MNOK



Financial review

KEY FIGURES

NOK 1.000	Q3 2018	Q3 2017	Q/Q-%	9M 2018	9M 2017	Y/Y-%	FY 2017
Revenues	217 475	233 229	-6,8%	647 204	708 964	-8,7%	973 475
Gross contribution *	136 269	147 659	-7,7%	418 054	421 817	-0,9%	591 048
Gross margin - % *	62,7%	63,3%		64,6%	59,5%		60,7%
Operating expenses	120 477	114 481	5,2%	355 598	351 012	1,3%	480 634
 EBITDA excl non-recurring items *	15 792	33 178	-52,4%	62 456	70 805	-11,8%	110 414
EBITDA margin excl non-recurring items *	7,3%	14,2%		9,7%	10,0%		11,3%
Non-recurring items *	0	27 823		0	27 823		27 823
 EBITDA *	15 792	5 355	194,9%	62 456	42 982	-45,3%	82 591
EBITDA margin *	7,3%	2,3%		9,7%	6,1%		8,5%
Depreciation and amortisation	10 952	13 916	-21,3%	35 137	42 819	-17,9%	56 488
Impairment	0	0		278	0		21 876
 Operating profit - EBIT excl non-recurring items *	4 840	19 262	-74,9%	27 041	27 986	-3,4%	32 050
EBIT margin excl non-recurring items *	2,2%	8,3%		4,2%	3,9%		3,3%
 Operating profit - EBIT *	4 840	-8 561		27 041	163		4 227
EBIT margin *	2,2%	-3,7%		4,2%	0,0%		0,4%
 Profit before tax excl non-recurring items *	-4 227	7 770		7 075	10 714		18 297
 Profit before tax	-4 227	-20 053		7 075	-17 109		-9 526
Profit margin excl non-recurring items *	-1,9%	3,3%		1,1%	1,5%		1,9%
Profit margin *	-1,9%	-8,6%		1,1%	-2,4%		-1,0%
 Profit after tax from continuing operations	-6 276	-18 676		264	-18 556		-11 263
Profit after tax on discontinued operations	0	0		0	0		-9 462
 Profit for the period	-6 276	-18 676		264	-18 556		-20 725
 EPS	-0,07	-0,21		0,00	-0,21		-0,23

* Q-Free has with effect from Q1 2018 changed the definition of Gross Contribution. See note 11 and Alternative Performance Measures for a definition of Gross Contribution.

Profit and loss third quarter 2018

Q-Free generated total revenues of 217 MNOK in the third quarter of 2018. This was 7 percent less than in Q3-17. Tolling revenues ended at 117 MNOK, down 26 percent compared to Q3-17 mainly due to finalisation of the Slovenia truck tolling project. Revenues from other business segments than tolling increased by 33 percent to 100 MNOK, up from 75 MNOK in Q3-17. The growth is explained by strong performance mainly

in the Urban business area that reported a growth of 55 percent.

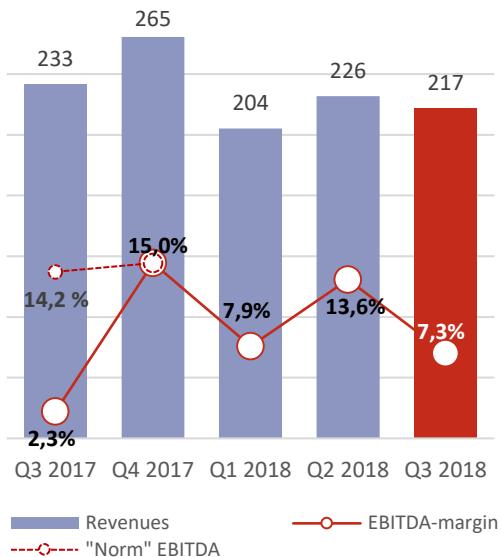
Gross contribution in the quarter was 136 MNOK, down from 148 MNOK in Q3-17. The gross margin ended at 63 percent, at the same level as in Q3-17.



Operating expenses amounted to 120 MNOK, down from 142 MNOK in Q3-17. Adjusted for non-recurring items in Q3-17 operating expenses are up 6 MNOK. The increase is explained by certain one-off expenses and high bid activity.

EBITDA in the third quarter ended at 16 MNOK compared to 33 MNOK adjusted for non-recurring items in Q3-17. The reduction is mainly explained by lower revenue recognition in Slovenia.

QUARTERLY REVENUES AND EBITDA MARGIN MNOK / Percent



Depreciation and amortisation in Q3-18 ended at 11 MNOK compared to 14 MNOK in Q3-17. The reduction is explained by lower amortisation of intangibles.

Operating profit (EBIT) ended at 5 MNOK versus -9 MNOK in Q3-17.

Net financial items in the quarter were -9 MNOK.

Reported pre-tax profit ended at -4 MNOK, up from -20 MNOK in Q3 2017.

Earnings per share came in at -0,07 NOK in the third quarter versus -0,21 NOK in Q3-17.

Profit and loss as of September 2018

Accumulated revenues as of September 18 amounted to 647 MNOK, down 9 percent from 709 MNOK YTD 2017. The reduction is explained by 67 MNOK in reduced revenue recognition from the Slovenia project YTD 2018 compared to YTD 2017 (53 MNOK YTD 2018 vs 120 MNOK YTD 2017), lower tolling revenues in Chile, and divestments of Serbia and Malta.

Gross contribution for the first nine months was 418 MNOK, down 4 MNOK from 422 MNOK in the corresponding period in 2017. Gross margin in the period improved by 5 percentage

points. The gross margin improvement is driven by favourable product mix effects and portfolio adjustments.

Operating expenses YTD September 2018 were 356 MNOK, down 23 MNOK compared to corresponding period 2017. Adjusted for non-recurring items in 2017, operating expenses are up 1 percent from 351 MNOK.

YTD EBITDA amounted to 62 MNOK compared to 43 MNOK in the corresponding period of 2017. The YTD EBITDA margin was 10 percent, in line with last year when adjusting for non-recurring items.

Operating profit (EBIT) ended at 27 MNOK versus 0 MNOK in the corresponding period 2017.

Net financial items were -20 MNOK during the period compared to -17 MNOK YTD 2017. 10 MNOK of the YTD finance costs is related to revised estimate on liability of remaining shares Intelight Inc.

Pre-tax profit as of September 18 was 7 MNOK compared to -17 MNOK last year.

Balance sheet

Total assets at the end of the third quarter were 900 MNOK versus 1 044 MNOK at the end of Q3-17 and 889 MNOK at the end of Q2-18.

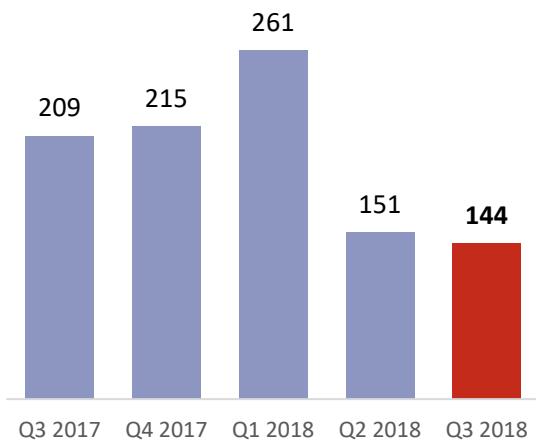
Total equity ended at 394 MNOK, down from 409 MNOK at the end of Q3-17 and down from 401 MNOK at the end of Q2-18. The equity ratio was 44 percent, up from 39 percent reported at the end of Q3-17 and down from 45 percent at the end of the previous quarter.

Non-current liabilities were 146 MNOK, down from 273 MNOK reported at the end of Q3-17 and 166 MNOK at the end of Q2-18. The reduction compared to Q3-17 is mainly explained by 50 MNOK in down payment of the serial loan and reallocation of the Intelight share purchase liability to current liabilities. The remaining liability to purchase shares in Intelight is estimated at 77 MNOK whereof 21 MNOK is and classified as non-current. Other material non-current liabilities items include pension schemes of 15 MNOK, long-term debt to financial institutions of 100 MNOK and 8 MNOK in deferred tax liability.

Short term interest-bearing debt to financial institutions was 130 MNOK at the end of the quarter compared to 189 MNOK at the end of Q3-17 and 132 MNOK at the end of Q2-18. The reduction compared to Q3-17 is explained by down payment of Slovenia project credit lines. Granted, but unused, credit facilities were 47 MNOK at the end of the third quarter of 2018.

Net interest-bearing debt ended at 144 MNOK, down 65 MNOK from 209 MNOK in Q2-17. The company signed medio October 2018 a term sheet with Nordea securing long term financing with a facility, maturity and covenant profile that will give the company the needed flexibility to finance organic growth.

QUARTERLY NIBD
MNOK



Current liabilities were 360 MNOK at the end of the period, down from 361 MNOK at the end of Q3-17 and up from 323 MNOK at the end of Q2-18. The increase is mainly explained by reallocation of parts of the Intelight Share Purchase obligation from Non-Current to Current liabilities.

Net working capital (defined as current assets excluding cash less current liabilities and excluding short-term overdraft facilities) amounted to 106 MNOK at the end of Q3-18. The corresponding figure at the end of Q3-17 was 235 MNOK. Net working capital was 12 percent of last 12 months' revenues compared to 15 percent at the end of Q2-18. The decrease from Q3-17 is fully explained by the collection of 200 MNOK from the Slovenia project receivables.

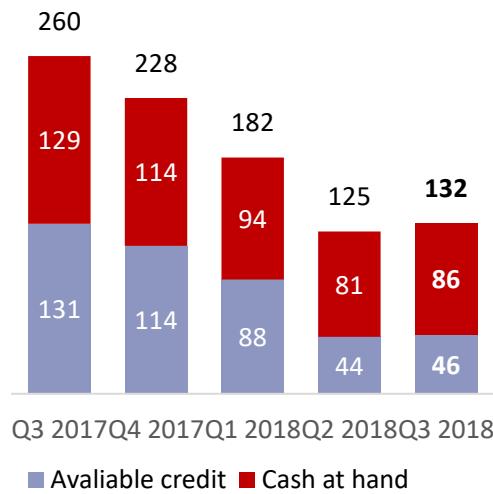
Cash flow

Net cash flow from operating activities was 16 MNOK in the third quarter of 2018, compared to 13 MNOK in the corresponding quarter of 2017.

Net cash flow from investment activities was -9 MNOK in Q3-18 compared to -5 MNOK in Q3-17. Q-Free continued during the quarter to invest heavily in the new outdoor parking sensor and new SW platform which is planned launched in Q4 2018.

Net cash flow from financing activities was -2 MNOK versus 18 MNOK in Q3-17.

QUARTERLY AVAILABLE CREDIT AND CASH AT HAND
MNOK



The net change in cash in the period was 5 MNOK. Q-Free had 132 MNOK in available funds at the end of Q3-18.

Order intake and backlog

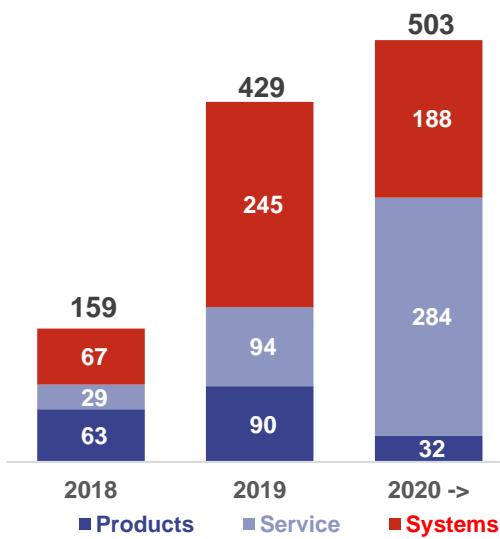
Total order intake in the second quarter of 2018 was 254 MNOK compared to 100 MNOK in Q3-17. This gives a book-to-bill ratio of 1.2. The increased order intake was driven by several mid-sized Tolling and Urban contracts in Europe and America.

The order backlog at the end of Q3-18 was 1 091 MNOK, down from 1 182 MNOK at the end of the third quarter of 2017, but up from 1 060 MNOK at the end of Q2-18. The backlog was adjusted with 6 MNOK in negative currency effects related to EUR and USD contracts.

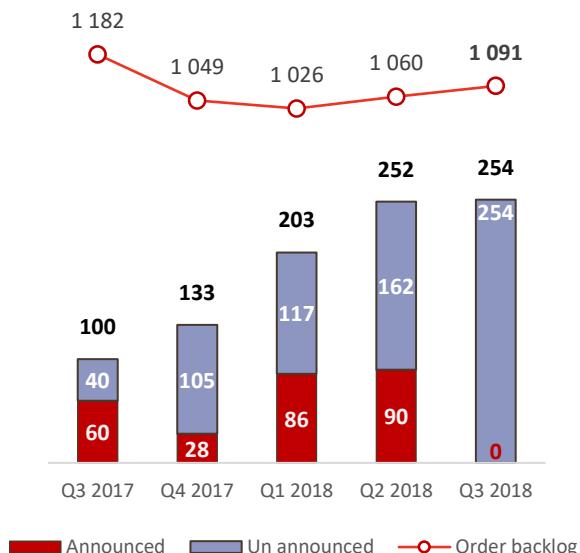
The backlog continues to be at a historically high level. 159 MNOK of the backlog as of 30 September 2018 is planned to be delivered in Q4-18, 429 MNOK in 2019, and 503 MNOK from 2020 and onwards.

In terms of revenue mix, the order backlog is composed of 14 percent product deliveries, 37 percent service and maintenance contracts and 49 percent system projects.

ORDER BACKLOG COMPOSITION Q3-18
MNOK



ORDER BACKLOG AND ORDER INTAKE END OF Q3-18
MNOK



Segment overview

Q-Free structure per Q3 2018:

	Tolling	Parking	Infomobility	Urban	Inter-urban	Global Functions
OFFERING	Electronic toll collection systems (Multi lane free-flow, truck tolling, congestion charging, etc.) DSRC tags and readers ALPR/ANPR solutions	Parking guidance systems Parking access control	Weigh in motion Traffic counters Cycle & pedestrian detection Journey time monitoring Weather & air-quality monitoring	Local intersection/traffic controllers Centralized traffic controller SW Cooperative ITS solutions	Advanced Traffic Management systems Traffic Information Systems Ramp metering Truck parking	Management and board expenses Group Finance Corporate services
KEY MARKETS	Europe Norway Sweden Denmark Portugal Slovenia France Spain Russia Americas USA Chile APMEA Thailand Australia Indonesia South Africa	Europe France Norway Slovenia Portugal Americas USA Canada Chile APMEA Thailand Australia	Europe UK Norway Sweden Denmark Americas USA Canada LATAM APMEA Thailand Australia Indonesia	Americas USA Canada APMEA Australia	Europe Slovenia Americas USA Mexico	

Segment review

SEGMENT REVIEW Q3-18 v/s Q3-17 and accumulated

(MNOK)						
REVENUES Q3-18	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	Q3 2018
EUROPE	92	6	15	1	3	115
APMEA	19	2	1	0	0	22
AMERICAS	7	6	0	40	27	80
TOTAL	117	13	16	41	29	217
REVENUES Q3-17	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	Q3 2017
EUROPE	115	5	12	1	2	136
APMEA	22	2	1	0	0	24
AMERICAS	21	3	2	25	22	73
TOTAL	158	11	14	26	23	233
REVENUES 30.09.18	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	30.09.18
EUROPE	277	19	46	1	16	358
APMEA	47	4	3	0	0	54
AMERICAS	37	16	3	106	72	235
TOTAL	361	39	52	108	88	647
REVENUES 30.09.17	TOLLING	PARKING	INFOMOBILITY	URBAN	INTER-URBAN	30.09.17
EUROPE	310	22	35	9	15	391
APMEA	49	5	8	0	0	62
AMERICAS	70	19	5	98	65	256
TOTAL	429	46	48	106	81	709



TOLLING

DSRC TAGS & READERS
ALPR/ANPR SOLUTIONS
ELECTRONIC TOLL COLLECTION
CONGESTION CHARGING

REVENUES AND MARGINS

Quarterly tolling revenues amounted to 117 MNOK, down from 158 MNOK in Q3-17. The overall reduction is explained by the decline in Slovenia revenues (Europe) from 39 MNOK in Q3-17 to 18 MNOK in Q3-18. Total tolling revenues in Americas is down due to the close down of Brazil and reduced revenues in Chile. ALPR tolling revenues shows very strong growth from low levels.

In terms of the tolling revenue mix, Q-Free had 40 MNOK in service and maintenance revenues in the quarter, 26 MNOK in system project revenues, and product sales of 51 MNOK.

Tolling achieved an EBITDA of 15 MNOK in the third quarter of 2018, down from 52 MNOK in Q3-17. The reduction is explained by reduced revenues combined with product mix effects.

ORDER SITUATION

Q-Free booked tolling orders of 121 MNOK in the quarter resulting in a book to bill ratio of 1.0. Key wins included the Multilane Free Flow agreement of 21 MNOK in Chile, service and maintenance contract renewals in Europe of 40 MNOK and renewal of the ALPR tolling agreement with MDX in the USA.

Of the Tolling backlog, 9 percent is planned for delivery in 2018, 33 percent in 2019 and 58 percent in 2020 and beyond. Tags and product deliveries represent 11 percent and are typically sold with short lead-times, while the remaining 89 percent of the backlog is system projects and service & maintenance contracts.

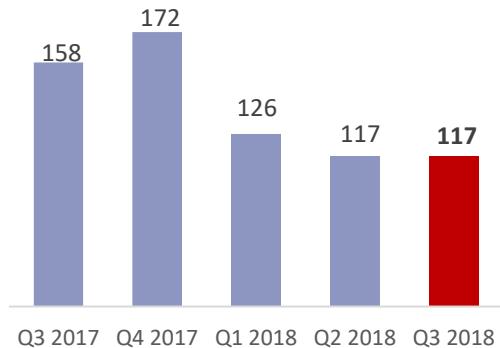
TOLLING REVENUES AND EBITDA

MNOK

	Q3-18	Q3-17	30.09.18	30.09.17
EUROPE	92	115	277	310
APMEA	19	22	47	49
AMERICAS	7	21	37	70
REVENUES	117	158	361	429
EBITDA	15	52	64	84

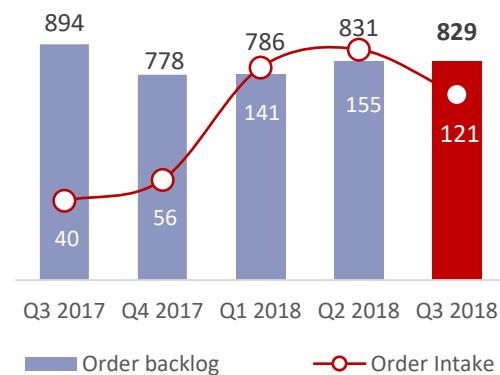
LAST 5 QUARTERS TOLLING REVENUES

MNOK



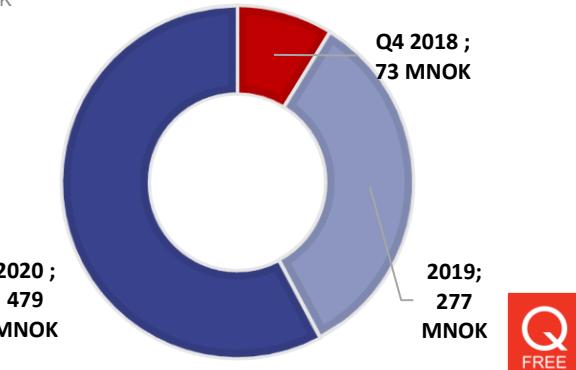
TOLLING ORDER BACKLOG & ORDER INTAKE

MNOK



TOLLING ORDER BACKLOG DISTRIBUTION

MNOK





PARKING

PARKING GUIDANCE

PARKING ACCESS CONTROL

REVENUES AND MARGINS

Quarterly parking revenues were 13 MNOK, up from 11 MNOK in Q3-17 despite the divestment of the parking revenue management business in Malta in Q2-18. The increased revenues in the quarter came from deployment of parking guidance solutions in AMERICAS and EUROPE (mostly in France).

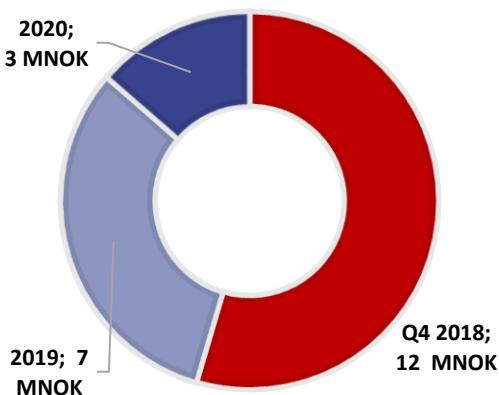
Parking reported an EBITDA of -4 MNOK in the quarter compared to -6 MNOK in Q3-17. Parking EBITDA is currently negatively impacted by ongoing investments in next generation parking guidance solutions. Q-Free expects to broaden its market presence and increase sales once these solutions are launched later this year.

ORDER SITUATION

The order intake in the quarter was 13 MNOK compared to 8 MNOK in Q3-17. Q-Free won several parking guidance contracts in AMERICAS and EUROPE.

Most of the parking backlog is due for delivery in the coming 2 to 6 months. The parking segment has a short turnaround time and often executes orders within a quarter. The current orders are mainly to customers in North America and France, but we see increasing interest from Australian and Nordic customers.

PARKING ORDER BACKLOG DISTRIBUTION MNOK



PARKING REVENUES AND EBITDA MNOK

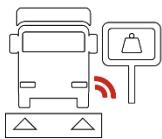
	Q3-18	Q3-17	30.09.18	30.09.17
EUROPE	6	5	19	22
APMEA	2	2	4	5
AMERICAS	6	3	16	19
REVENUES	13	11	39	46
EBITDA	-4	-6	-12	-3

LAST 5 QUARTERS PARKING REVENUES MNOK



PARKING ORDER BACKLOG & ORDER INTAKE MNOK





INFOMOBILITY

WEIGH IN MOTION
TRAFFIC COUNTERS
CYCLE & PEDESTRIAN DETECTION
JOURNEY TIME MONITORING
WEATHER & AIR-QUALITY MONITORING

REVENUES AND MARGINS

The third quarter showed 14% growth in revenues compared to third quarter 2017. YTD revenues are up 8% driven by high activity in Europe.

Reported EBITDA was 3 MNOK in Q3-18 compared to 0 MNOK Q3-17.

ORDER SITUATION

Q-Free booked 23 NOK in new orders in the Infomobility segment, up 7 MNOK compared to Q3-17. The major market continues to be the UK. In Q3-18 orders were also signed in Italy, Qatar and Poland. Q-Free expects to gain further momentum from new distributors signed in the US. The business is also strengthening its distribution in Europe and in the APMEA region.

The business normally consists of small and medium sized orders with a typical turnaround time of 4-8 weeks. All orders in the backlog will be delivered during the next six months.

INFOMOBILITY REVENUES AND EBITDA

MNOK

	Q3-18	Q3-17	30.09.18	30.09.17
EUROPE	15	12	46	35
APMEA	1	1	3	8
AMERICAS	0	2	3	5
REVENUES	16	14	52	48
EBITDA	3	0	10	7

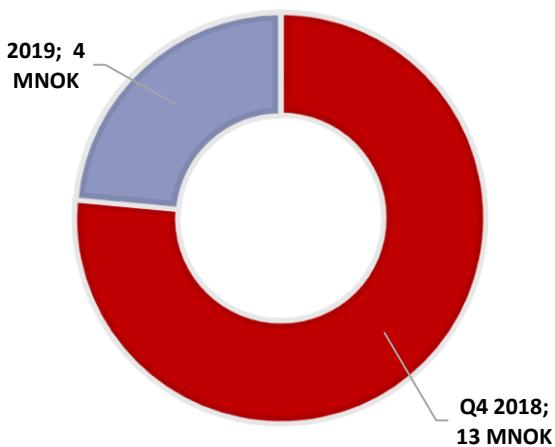
LAST 5 QUARTERS INFOMOBILITY REVENUES

MNOK



INFOMOBILITY ORDER BACKLOG DISTRIBUTION

MNOK



INFOMOBILITY ORDER BACKLOG & ORDER INTAKE

MNOK





URBAN
TRAFFIC CONTROLLERS
CENTRALIZED TRAFFIC CONTROLLER SW
CO-OPERATIVE ITS

REVENUES AND MARGINS

Q3-18 urban revenues were 41 MNOK, up from 26 MNOK in Q3-17. Q3-18 revenues were driven by solid demand for hardware controllers and delivery of some large software solutions.

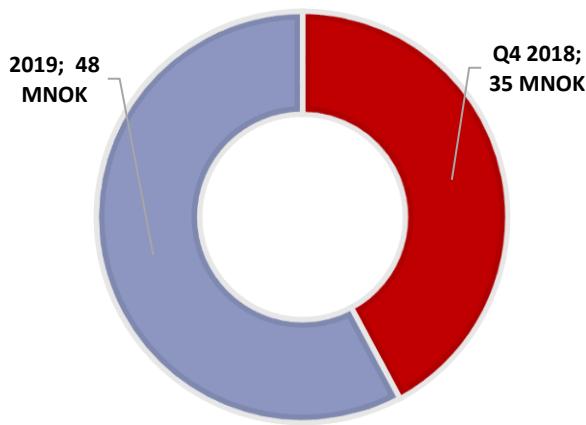
Urban reported an EBITDA of 7 MNOK (17 percent EBITDA margin). The significant EBITDA improvement in the quarter is explained by higher revenues and favourable product mix effects from increased software sales.

ORDER SITUATION

Order intake in the quarter was 74 MNOK compared to 19 MNOK in Q3-17. Major orders in the quarter were signed with the City of Omaha, Snohomish County, GDOT plus a broad base of small and medium sized orders sold via Intelight's dealer network in the USA. Due to a strong value proposition, the Urban business is gaining momentum. Q-Free has over the last quarters developed a strong order pipeline and is also working on opportunities to expand its urban footprint outside Americas.

The order backlog ended at 83 MNOK, up from 50 MNOK by Q2-18. All orders in the backlog will be executed during the next nine months.

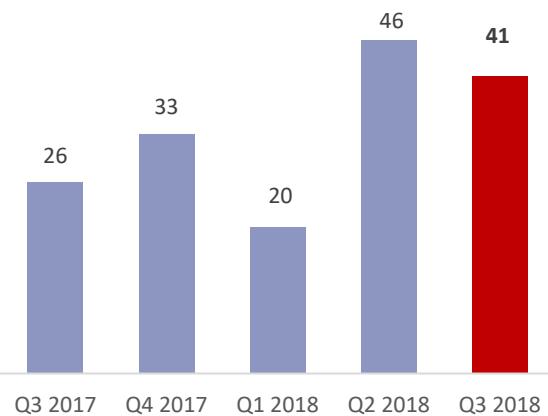
URBAN BACKLOG DISTRIBUTION
MNOK



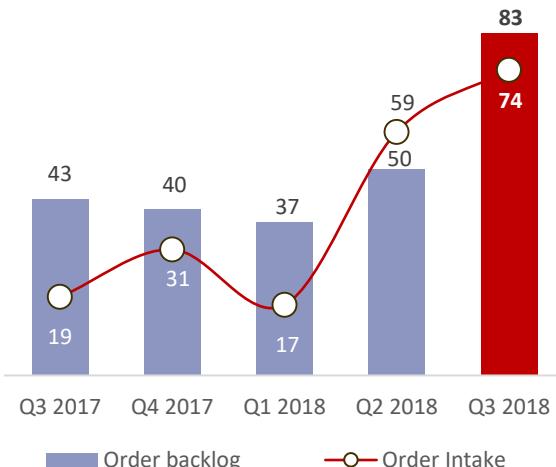
URBAN REVENUES AND EBITDA
MNOK

	Q3-18	Q3-17	30.09.18	30.09.17
EUROPE	1	1	1	9
APMEA	0	0	0	0
AMERICAS	40	25	106	98
REVENUES	41	26	108	106
EBITDA	7	-5	19	6

LAST 5 QUARTERS URBAN REVENUES
MNOK



URBAN ORDER BACKLOG & ORDER INTAKE
MNOK





INTER-URBAN
 ADVANCED TRAFFIC MANAGEMENT
 TRAFFIC INFORMATION
 RAMP METERING
 TRUCK PARKING

REVENUES AND MARGINS

Q3-18 inter-urban revenues amounted to 29 MNOK, up from 23 MNOK in Q3-17 due to phasing of the Virginia Department of Transportation (VDOT) project deliveries.

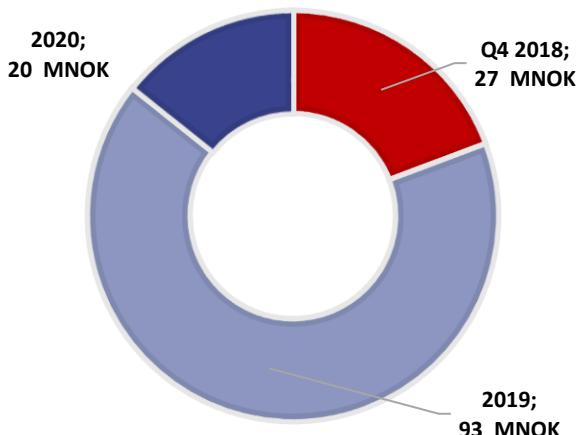
The EBITDA in the quarter ended at 5 MNOK compared to -1 MNOK in Q3-17. The EBITDA improvement is explained by higher revenues.

ORDER SITUATION

Order intake in the quarter was 23 MNOK compared to 18 MNOK in Q3-17. Order intake consist mainly of renewal of the agreement with West Virginia Department of Transport.

The order backlog mainly reflects scheduled deliveries to VDOT in 2018 and 2019 plus projects for numerous other states.

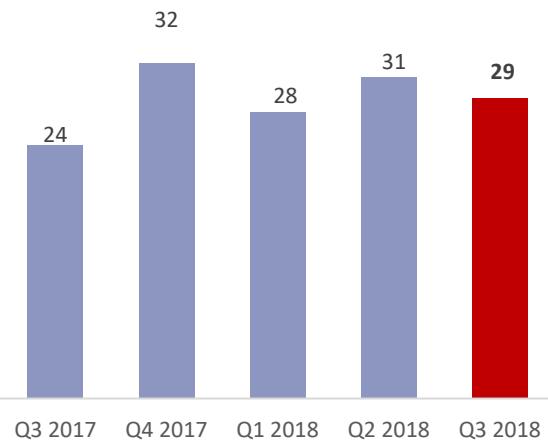
INTER URBAN ORDER BACKLOG DISTRIBUTION
 MNOK



INTER-URBAN REVENUES AND EBITDA
 MNOK

	Q3-18	Q3-17	30.09.18	30.09.17
EUROPE	3	2	16	15
APMEA	0	0	0	0
AMERICAS	27	22	72	65
Total Revenues	29	23	88	81
EBITDA	5	-1	9	5

LAST 5 QUARTERS INTER-URBAN REVENUES
 MNOK



INTER-URBAN ORDER BACKLOG & ORDER INTAKE
 MNOK



Outlook

Q-Free has now delivered eight consecutive quarters with positive EBITDA and an average EBITDA margin over this 2-year period of 10 percent. For the first three quarters of 2018 the company has also delivered a blended EBITDA margin close to 10 percent despite the expected revenue decline as the Slovenia project moved into a steady service and maintenance phase.

Driving this solid performance is a more financially robust business model than ever: Almost one third of Q-Free's annual revenues are recurring. On top of this the company generates more than 50 percent of its revenues from stable/resilient product and service deliveries. This leaves only ~15 percent from project revenues. Hence, the company is now in a position where recurring and resilient revenues more than cover all fixed expenses.

We expect the recurring and resilient revenues to continue to increase. This is driven by Q-Free's technology leadership and growing success in non-tolling businesses such as urban and infomobility. Medium and large tolling projects will still generate attractive profits on top of a stable and profitable base, but Q-Free can be more selective in its pursuit of these opportunities. This reduces financial and operational risk in the company and improves capacity utilization.

After a soft order intake in the second half of 2017, the first three quarters of 2018 have been solid in terms of both nominal order intake values and book to bill ratios. Based on our current backlog of 1.1 billion NOK and a pipeline of potential new contracts that keeps on increasing as new opportunities materialize, Q-Free's ambition is to grow revenues at a double-digit rate in the coming years.

Margins will depend on quarterly product mix variations, but with sound profitability even in quarters with limited project revenues and an ongoing shift towards higher margin software-deliveries, our objective is to expand margins in the coming years from the current 10 percent level.



Financial overview

The condensed interim consolidated financial statements per 30.09.18 (unaudited):

INTERIM CONSOLIDATED INCOME STATEMENT

NOK 1.000	Note	Q3 2018	Q3 2017	9M 2018	9M 2017	FY 2017
Revenues	7,8	217 475	233 229	647 204	708 964	973 475
Cost of goods sold	11	58 670	58 026	162 993	212 990	278 493
Contractors *	11	22 536	27 544	66 157	74 157	103 934
Personnel expenses		83 494	75 370	239 549	230 032	318 730
Other operating expenses	11	36 983	66 934	116 049	148 803	189 727
Total operating expenses		201 683	227 874	584 748	665 982	890 884
EBITDA *	7	15 792	5 355	62 456	42 982	82 591
Depreciation and amortisation	9	10 952	13 916	35 137	42 819	56 488
Impairment	9	0	0	278	0	21 876
EBIT *	7	4 840	-8 561	27 041	163	4 227
Financial income	10	4 248	3 105	25 364	14 940	29 583
Financial expenses	10	-13 315	-14 597	-45 330	-32 212	-43 336
Net financial items		-9 067	-11 492	-19 966	-17 272	-13 753
Profit before tax		-4 227	-20 053	7 075	-17 109	-9 526
Tax expenses		-2 049	1 377	-6 811	-1 447	-1 737
Profit after tax from continuing operations		-6 276	-18 676	264	-18 556	-11 263
Profit after tax on discontinued operations	12	0	0	0	0	-9 462
Profit for the period		-6 276	-18 676	264	-18 556	-20 725
Attributable to :						
Equity holders of the parent		-6 276	-18 676	264	-18 556	-20 725
Profit		-6 276	-18 676	264	-18 556	-20 725
Number of employees		381	410	381	410	415
Gross margin *		62,7 %	63,3 %	64,6 %	59,5 %	60,7 %
EBITDA margin *		7,3 %	2,3 %	9,7 %	6,1 %	8,5 %
EBIT margin *		2,2 %	-3,7 %	4,2 %	0,0 %	0,4 %
Profit margin		-1,9 %	-8,6 %	1,1 %	-2,4 %	-1,0 %
EPS (NOK)		-0,07	-0,21	0,00	-0,21	-0,23
EPS, diluted (NOK)		-0,07	-0,21	0,00	-0,21	-0,23

* See Alternative Performance Measures for definitions.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1.000	Note	Q3 2018	Q3 2017	9M 2018	9M 2017	FY 2017
Profit for the period		-6 276	-18 676	264	-18 556	-20 725
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		-576	-6 685	-20 687	297	7 965
Net (loss)/gain on available-for-sale financial assets		-192	-8	-192	-8	-8
- Income tax effect		0	0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		-768	-6 693	-20 879	289	7 957
Total comprehensive income for the period		-7 044	-25 369	-20 615	-18 267	-12 768
Attributable to:						
Equity holders of the parent		-7 044	-25 369	-20 615	-18 267	-12 768
Total comprehensive income for the period		-7 044	-25 369	-20 615	-18 267	-12 768

BALANCE SHEET – ASSETS

NOK 1.000	Note	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Development	9	140 636	143 412	142 635	148 632	157 496
Goodwill	9	300 367	300 549	294 014	305 380	303 469
Deferred tax assets		13 174	12 813	13 501	16 864	12 038
Total intangible assets		454 177	456 774	450 150	470 876	473 003
Machinery, fixtures and fittings	9	21 920	20 770	21 738	22 367	24 481
Total fixed assets		21 920	20 770	21 738	22 367	24 481
Shares		195	387	387	387	387
Other long term receivables		1 536	1 188	2 168	2 147	1 808
Total financial fixed assets		1 731	1 575	2 555	2 534	2 195
Total non - current assets		477 828	479 119	474 443	495 777	499 679
Inventories		68 627	56 110	62 961	65 453	62 120
Total inventories		68 627	56 110	62 961	65 453	62 120
Accounts receivables		150 783	171 497	402 315	130 487	136 155
Contract assets		81 246	67 039	47 162	227 154	169 305
Other receivables		36 048	34 177	29 806	37 868	39 642
Total receivables		268 077	272 713	479 283	395 509	345 102
Cash		85 888	81 195	94 375	113 633	129 258
Total current assets		422 592	410 018	636 619	574 595	536 480
Assets held for sale	12	0	0	0	0	7 524
Total assets		900 420	889 137	1 111 062	1 070 372	1 043 683

BALANCE SHEET - EQUITY & LIABILITIES

NOK 1.000	Note	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Subscribed share capital		33 905	33 905	33 905	33 905	33 905
Share premium reserve		578 307	578 307	578 307	578 307	578 307
Other paid in capital		20 862	20 769	20 699	20 628	20 529
Total paid in capital		633 074	632 981	632 911	632 840	632 741
Other equity		-239 224	-232 180	-233 094	-218 609	-224 108
Total retained equity		-239 224	-232 180	-233 094	-218 609	-224 108
Total equity		393 850	400 801	399 817	414 231	408 633
Deferred tax		8 050	5 608	3 433	4 956	13 551
Debt to financial institutions		100 000	100 000	125 000	125 000	150 000
Other non-current liabilities		38 134	59 903	82 136	85 986	109 660
Total non-current liabilities		146 184	165 511	210 569	215 942	273 211
Debt to financial institutions		129 959	132 231	230 178	203 691	188 524
Accounts payable		64 983	54 031	60 989	89 272	63 943
Tax payable		1 669	1 479	2 699	3 342	415
Public duties payable		12 609	12 064	59 987	14 541	15 043
Contract liabilities		25 740	21 035	27 294	11 693	11 272
Other short term debt		125 426	101 985	119 529	117 660	81 905
Total current liabilities		360 386	322 825	500 676	440 199	361 102
Total liabilities		506 570	488 336	711 245	656 141	634 313
Liabilities held for sale	12	0	0	0	0	737
Total equity and liabilities		900 420	889 137	1 111 062	1 070 372	1 043 683

CASH FLOW STATEMENT

NOK 1.000	Note	Q3 2018	Q3 2017	9M 2018	9M 2017	FY 2017
Profit before tax		-4 227	-20 053	7 075	-17 109	-9 526
Paid taxes		-3 445	-1 510	-6 596	-5 185	-7 570
Depreciation and impairment of property, plant and equipment	9	1 732	4 330	7 188	11 771	17 121
Amortization and impairment of intangible assets	9	9 220	9 586	28 227	31 048	61 243
Shares valued at fair value		-192	-8	-192	-8	-8
Cost of share-based payment		93	0	234	0	99
<u>Working capital adjustments:</u>						
Changes in receivables and prepayments from customers		25 419	1 950	-6 249	5 865	11 954
Changes in inventory		-12 517	6 870	-3 174	4 207	874
Changes in accounts payables		10 952	-5 096	-24 289	-36 266	-10 937
Changes in contract assets		-14 207	-22 307	145 908	-93 498	-151 347
Changes in other balance sheet items		3 625	39 296	-26 163	39 078	38 760
Net cash flow from operations		16 453	13 058	121 969	-60 097	-49 337
Investments in intangible assets	9	-6 399	-3 785	-21 009	-13 342	-24 285
Investments in tangible assets	9	-2 882	-1 487	-6 741	-2 592	-5 828
Acquisition of a subsidiary, net of cash acquired		0	0	-23 210	-33	-33
Cash flow from discontinued operations	12	0	0	0	3 617	-835
Net cash flow from investments		-9 281	-5 272	-50 960	-12 350	-30 981
Proceeds from new loans / Drawdown overdraft facilities		-2 479	34 645	46 246	120 611	137 476
Down payments of debt to financial institutions		0	-11 545	-145 000	-11 545	-40 614
Other financial items		0	-5 220	0	-5 220	-5 220
Net cash flow from financing		-2 479	17 880	-98 754	103 846	91 642
Net change in cash and cash equivalent		4 693	25 666	-27 745	31 399	11 324
Cash and cash equivalents per 01.01.		81 195	103 590	113 633	101 474	101 474
Transferred to Assets held for sale	12	0	0	0	-3 617	835
CASH AND CASH EQUIVALENTS		85 888	129 256	85 888	129 256	113 633

STATEMENT OF CHANGES IN EQUITY

NOK 1.000	Equity attributable to equity holders of the parent								Total
	Share capital	Share premium reserves	Other paid in Capital	Other equity	Foreign currency translation reserve	Actuarial gains and losses	Available-for-sale reserve		
Equity per 31.12.17	33 905	578 307	20 628	-302 905	84 367	0	-71	414 231	
Total comprehensive income for the period	0	0	0	264	-20 687	0	0	-20 423	
Cost of share-based payment	0	0	234	0	0	0	0	234	
Share issue	0	0	0	0	0	0	-192	-192	
Equity per 30.09.18	33 905	578 307	20 862	-302 641	63 680	0	-263	393 850	
Equity per 31.12.16	33 905	578 307	20 529	-270 163	76 402	-12 017	-63	426 900	
Total comprehensive income for the period	0	0	0	-18 556	297	0	-8	-18 267	
Reclassification	0	0	0	-12 017	0	12 017	0	0	
Equity per 30.09.17	33 905	578 307	20 529	-300 736	76 699	0	-71	408 633	

KEY FIGURES

	Q3 2018	Q3 2017	9M 2018	9M 2017	FY 2017
Operating profit / EBIT per share (NOK) *	0,05	-0,10	0,30	0,00	0,05
EBIT margin (%) *	2,2 %	-3,7 %	4,2 %	0,0 %	0,4 %
EPS (NOK)	-0,07	-0,21	0,00	-0,21	-0,23
EPS, diluted (NOK)	-0,07	-0,21	0,00	-0,21	-0,23
Cash flow per share (NOK)	0,18	0,15	1,37	-0,67	-0,55
Equity per share (NOK)	4,41	4,58	4,41	4,58	4,64
Equity ratio (%)	43,7 %	39,2 %	43,7 %	39,2 %	37,3 %
Average number of shares	89 223 446	89 223 446	89 223 446	89 223 446	89 223 446
Average number of shares diluted	91 539 459	89 854 274	91 404 564	89 854 274	90 214 797

* See Alternative Performance Measures for definitions.

Notes to the condensed interim financial statements Q3 2018

NOTE 1 - GENERAL

The consolidated condensed interim financial statements for the third quarter and as at 30th September 2018 (unaudited) was approved by the Board of Directors at its meeting on 24 October 2018.

The Q-Free Group provides leading technology solutions to the global ITS market. Q-Free has 381 employees, is headquartered in Trondheim Norway, and has local offices in 17 countries around the world. Q-Free ASA is a Norwegian public limited liability company, and has been listed on the Oslo Stock Exchange under the ticker QFR since 2002.

NOTE 2 – STATEMENT OF COMPLIANCE

These consolidated interim financial statements for the third quarter and as at 30th September 2018, combined with other relevant financial information in this report, have been prepared in accordance with the regulations of the Oslo Stock Exchange and the requirements in IAS 34. These condensed consolidated interim financial statements for the quarter have not been audited or been subject to review by the Group's auditor. The financial statements do not include all of the information required for the full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2017. The consolidated financial statements for 2017 are available upon request from the company's registered office in Trondheim or at our website, www.q-free.com.

NOTE 3 – ACCOUNTING PRINCIPLES

The consolidated financial statements of the Q-Free Group for Q3 2018 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. The Group has used the same accounting policies and standards as in the consolidated financial statements as of 31 December 2017, with the exception of IFRS 15: Recognition of revenues and IFRS 9: Accounts receivable and other receivables.

Implementation of IFRS 15 Revenue from Contracts with Customers

The Q-Free Group has adopted IFRS 15 Revenue from Contracts with Customers for reporting periods beginning on and after 1 January 2018. IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts. The new Standard establishes a new set of principles that shall be applied to report information about the nature, amount, timing and uncertainty of revenue and cash flows arising from

contracts with customers.

The Q-Free Group has not identified any significant impact to the Group's statement of financial position and equity as a result of implementation of the new standard. As a result, these interim financial statements do not include detailed disclosures of the amounts by which line items are affected by the application of IFRS 15 compared to revenue standards no longer in effect.

The contracts with customers have been analysed based on the following split of the revenues:

Product deliveries

Revenues from the sale of products is recognised at a point in time, either on delivery to the customer or at the point of shipping depending on when the specifics of a particular contract result in control of the goods being passed to the customer.

Service & Maintenance

Revenues relating to service and maintenance contracts is recognised over time. Revenue is recognised by measuring progress towards completion of the performance obligation, and input methods like cost incurred is used to measure progress.

System projects

Revenues relating to system projects is recognised over time since an asset that has no alternative use is being developed and the Group is entitled to payment for work performed at any time. In most contracts there will be two performance obligations, which is system delivery (both hardware installations and software deliveries) and service and maintenance. Revenue is recognised by measuring progress towards completion of the performance obligation, and input methods like cost incurred will be used to measure progress. In some contracts, variable remuneration may affect the timing of revenue recognition.

Implementation of IFRS 9 Financial instruments

The Q-Free Group has adopted IFRS 9 Financial instruments for reporting periods beginning on and after 1 January 2018. IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. The new standard sets out new requirements for the accounting of financial instruments including classification, measurement, impairment and hedge accounting.

The Q-Free Group has not identified a significant impact to the Group's statement of financial position and equity as a result of implementation of the new standard. As a result, these interim financial statements do not include detailed disclosures of the amounts by which line items are affected by the application of IFRS 9 compared to financial instruments standard no longer in effect.



The Q-Free Group applies an expected credit loss model when calculating impairment losses on its trade receivables and contracts assets.

The Q-Free Group has decided to classify all of its equity investments as being fair value through other comprehensive income under IFRS 9

deviating substantially from what have been expressed or implied in such statements.

Implementation of IFRS 16 Leases

Adoption of IFRS 16 will result in the Group recognising right of use assets and lease liabilities for all material contracts that are, or contain, a lease. For leases currently classified as operating leases under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term. According to IFRS 16 the Group will need to recognise the right of use assets and lease liabilities in the balance sheet, and instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right of use assets.

The Q-Free Group is in a process of identifying contracts that may contain leases for the purposes of IFRS16, which are not currently considered to be lease contracts under the group's current accounting policy. The main leases that will be recognized in the balance sheet are the different office leases. The Q-Free Group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption. Implementing IFRS 16 per 1 January 2019 will not have any effect on equity. However there will be changes in the statement of financial position and cash flows.

NOTE 4 – USE OF ESTIMATES

The preparation of the Q-Free Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates can result in outcomes that require a material adjustment to the carrying amount of the assets or liability affected in future periods.

NOTE 5 – EVENTS AFTER THE BALANCE SHEET DAY

No significant events, which are not mentioned in this report, have occurred since the balance sheet date.

NOTE 6 – FORWARD LOOKING STATEMENTS

This report contains statements regarding the future in connection with Q-Free's growth initiatives, profit figures, outlook, strategies and objectives. In particular the section "Outlook" contains forward-looking statements regarding the Q-Free Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profit and development



NOTE 7 – OPERATING SEGMENTS

Operating segments are aligned with internal reporting to Q-Free Management. The structure also determines how resources and investments are allocated within the Group. The operating segments are determined based on differences with regards to nature of the operations, solutions, products and services. Q-Free manages its operations in five segments plus global functions:

Quarterly segment review:

SEGMENTS THIRD QUARTER		TOLLING		PARKING		INFO MOBILITY		URBAN		INTER-URBAN		Global functions		TOTALS Q3-18 & -17	
NOK 1.000	Note	Q3-18	Q3-17	Q3-18	Q3-17	Q3-18	Q3-17	Q3-18	Q3-17	Q3-18	Q3-17	Q3-18	Q3-17	Q3-18	Q3-17
EUROPE		91 533	115 416	5 825	5 368	14 757	11 857	700	1 234	2 618	1 867	-	-	115 432	135 742
APMEA		18 976	21 725	1 880	1 995	1 201	530	-	-	-	-	-	-	22 057	24 249
AMERICAS		6 913	21 155	5 527	3 342	323	1 898	40 459	25 233	26 765	21 609	-	-	79 986	73 237
Revenues	7	117 421	158 297	13 231	10 704	16 281	14 285	41 158	26 467	29 383	23 476	0	0	217 475	233 229
COGS		32 014	32 492	4 683	3 211	3 981	6 515	17 901	15 808	90	0	0	0	58 669	58 026
Contractors		14 110	17 633	2 043	1 135	411	270	1 963	2 616	4 007	5 890	0	0	22 536	27 543
Gross Contribution		71 298	108 171	6 505	6 359	11 889	7 500	21 294	8 043	25 285	17 586	0	0	136 270	147 659
Gross margin - %		60,7 %	68,3 %	49,2 %	59,4 %	73,0 %	52,5 %	51,7 %	30,4 %	86,1 %	74,9 %			62,7 %	63,3 %
Total OPEX *		56 276	55 911	10 499	11 886	9 356	7 821	13 863	12 965	20 245	18 420	10 240	7 478	120 478	114 481
EBITDA	7,13	15 022	52 260	-3 995	-5 528	2 533	-321	7 431	-4 922	5 040	-834	-10 240	-7 478	15 792	33 178
EBITDA margin		12,8 %	33,0 %	-30,2 %	-51,6 %	15,6 %	-2,2 %	18,1 %	-18,6 %	17,2 %	-3,6 %			7,3 %	14,2 %
Depreciation		2 007	2 540	1 328	1 981	2 351	2 518	3 180	3 779	2 086	3 097	0	0	10 952	13 916
EBIT	7,13	13 015	49 720	-5 323	-7 509	182	-2 839	4 251	-8 701	2 954	-3 931	-10 240	-7 478	4 840	19 262
EBIT margin		11,1 %	31,4 %	-40,2 %	-70,1 %	1,1 %	-19,9 %	10,3 %	-32,9 %	10,1 %	-16,7 %			2,2 %	8,3 %

* OPEX is exclusive non-recurring items of 27 823 in Q3-17.



Accumulated SEGMENT review as at 30.09.18

SEGMENTS 9M 2018 & 2017		TOLLING		PARKING		INFO MOBILITY		URBAN		INTER-URBAN		Global functions		TOTALS 30.09	
NOK 1.000	Note	30.09.18	30.09.17	30.09.18	30.09.17	30.09.18	30.09.17	30.09.18	30.09.17	30.09.18	30.09.17	30.09.18	30.09.17	30.09.18	30.09.17
EUROPE		276 766	309 747	18 521	21 657	46 017	35 352	1 121	8 798	16 023	15 356	-	-	358 448	390 910
APMEA		46 988	49 464	3 972	4 546	2 605	7 704	-	-0	-	-	-	-	53 565	61 713
AMERICA		37 171	69 697	16 486	18 538	3 191	5 154	106 498	97 694	71 845	65 257	-	-	235 192	256 340
Revenues	7	360 925	428 909	38 979	44 740	51 813	48 210	107 619	####	87 868	80 613	0	0	647 204	708 964
COGS		89 593	119 685	12 785	13 115	16 181	19 610	43 011	60 226	1 422	1 367	0	-1 015	162 993	212 989
Contractors		41 443	51 111	6 031	2 797	1 190	752	5 009	2 967	12 485	16 531	0	0	66 157	74 157
Gross Contribution		229 889	258 112	20 163	28 829	34 442	27 848	59 600	43 298	73 961	62 715	0	1 015	418 054	421 816
Gross margin - %		63,7 %	60,2 %	51,7 %	64,4 %	66,5 %	57,8 %	55,4 %	40,7 %	84,2 %	77,8 %			64,6 %	59,5 %
Total OPEX *		166 372	173 633	32 267	31 331	24 844	21 170	40 203	37 767	65 251	57 527	26 661	29 583	355 599	351 012
EBITDA	7,13	63 517	84 479	-12 104	-2 502	9 597	6 678	19 396	5 531	8 710	5 188	-26 661	-28 568	62 455	70 805
EBITDA margin		17,6 %	19,7 %	-31,1 %	-5,6 %	18,5 %	13,9 %	18,0 %	5,2 %	9,9 %	6,4 %			9,7 %	10,0 %
Depreciation		6 313	8 268	4 277	6 192	7 392	7 663	10 124	11 497	7 309	9 199	0	0	35 415	42 819
EBIT	7,13	57 204	76 211	-16 381	-8 695	2 205	-985	9 272	-5 965	1 401	-4 011	-26 661	-28 568	27 040	27 986
EBIT margin		15,8 %	17,8 %	-42,0 %	-19,4 %	4,3 %	-2,0 %	8,6 %	-5,6 %	1,6 %	-5,0 %			4,2 %	3,9 %

* OPEX is exclusive non-recurring items of 27 823 as at 30.09.17.

Tolling	- DSRC tags and readers, ALPR and image based solutions, Electronic toll collection systems (Multilane free-flow, truck tolling, congestion charging, etc.).
Parking	- Parking guidance systems and Parking Access control SW (ALPR)
Infomobility	- Traffic, bicycle & pedestrian detection and counting, Weigh in motion, Journey time monitoring, Weather & air-quality monitoring.
Urban	- Local intersection/traffic controllers, Centralised traffic controller SW, Cooperative ITS solutions.
Inter-urban	- Advanced Traffic Management systems, Traffic Information Systems, Ramp Metering, Truck Parking.
Global Functions	- Corporate services, management and group finance at the Q-Free HQ.

Tolling, Parking and Infomobility solutions are sold globally, whereas Urban and Inter-Urban is predominantly sold in North America.

NOTE 8 – DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

NOK 1.000

Disaggregation of revenue from contracts with customers	Q3 2018	Q3 2017	9M 2018	9M 2017	FY 2017
Product deliveries	95 564	92 643	279 815	281 698	381 092
Service & Maintenance	39 991	41 652	129 428	126 268	174 412
System projects	81 920	98 934	237 961	300 998	417 971
Revenue from contracts with customers	217 475	233 229	647 204	708 964	973 475
Other income	0	0	0	0	0
Total operating income	217 475	233 229	647 204	708 964	973 475

NOTE 9 – DEPRECIATION, AMORTISATION AND IMPAIRMENT

NOK 1.000

Depreciation, amortisation and impairment	Q3 2018	Q3 2017	9M 2018	9M 2017	FY 2017
Amortisation of capitalised development cost	4 702	4 472	14 014	15 305	20 499
Amortisation of capitalised acquired development cost	4 518	5 114	14 213	15 743	20 973
Impairment of development cost and Goodwill	0	0	0	0	19 771
Depreciation of other fixed assets	1 732	4 330	6 910	11 771	15 016
Impairment of other fixed assets	0	0	278	0	2 105
Total	10 952	13 916	35 415	42 819	78 364
Specifications of capitalised expenditures, balance sheet	Q3 2018	Q3 2017	9M 2018	9M 2017	FY 2017
Capitalised development cost	6 399	3 785	21 009	13 342	24 285
Other fixed assets	2 882	1 487	6 741	2 592	5 828
Total	9 281	5 272	27 750	15 934	30 113

The impairment in 2018 and 2017 is related to the exit of Serbia (Elcom) and parking management (Trafikko).



NOTE 10 – FINANCIAL ITEMS

NOK 1.000

Financial items	Q3 2018	Q3 2017	9M 2018	9M 2017	FY 2017
Realised agio / disagio	-143	79	-1 240	-1 135	-1 234
Unrealised agio / disagio	-82	-3 111	3 766	-1 346	7 431
Change in other liabilities *	-1 111	-4 735	-10 440	-4 735	-4 273
Other financial income	-213	839	871	2 581	3 518
Other financial expenses	-7 518	-4 564	-12 923	-12 637	-19 195
Total	-9 067	-11 492	-19 966	-17 272	-13 753

* Change in other liabilities per 30.09.18 is explained by a revised estimate on liability for purchase of remaining shares on Intelight Inc of 9,9 MNOK and liability related to pension schemes of 0.5 MNOK. The liability for remaining shares on Intelight Inc as at 30.09.18 is 77 MNOK, of which 21 MNOK is classified as non-current liabilities and 56 MNOK as current liabilities. For further information see Note 6 and 18 in the Annual Report 2017.

NOTE 11 – RECLASSIFICATION

The presentation of the consolidated financial statements is changed in 2018. Contractors defined as external consultants and/or services that are consumed under project executions and service and maintenance work are now presented separately in the financial statements. Contractors was previously mainly reported under Other operating expenses. A small portion was included in Cost of goods sold.

The table below shows the changes regarding reclassification in 2017 figures.

Operating expenses	Q3 2017 before reclassification	Reclass- ification	Q3 2017	9M 2017 before reclassification	Reclass- ification	9M 2017	FY 2017 before reclassification	Reclass- ification	FY 2017
Cost of goods sold	60 160	-2 134	58 026	218 865	-5 875	212 990	287 833	-9 340	278 493
Contractors	0	27 544	27 544	0	74 157	74 157	0	103 934	103 934
Personnel expenses	75 370	0	75 370	230 032	0	230 032	318 730	0	318 730
Other operating expenses	92 344	-25 410	66 934	217 085	-68 282	148 803	284 321	-94 594	189 727
Total operating expenses	227 874	0	227 874	665 982	0	665 982	890 884	0	890 884

NOTE 12 – DISCONTINUED OPERATIONS

The divestment of Q-Free's security business Prometheus Security Group Global Inc. (PSG) was closed in February 2017, and all contracts, employees and other assets have been transferred to the new owner. Consequently, PSG has been excluded from the Group's consolidated accounts on continued operations with effect from fourth quarter 2016 and reported separately as "discontinued operations". Comparable figures for 2016 have been reclassified to "discontinued" operations. The fair value of the assets and liabilities relating to PSG is classified as assets and liabilities held for sale. The 2017 loss in discontinued operations represented the Group's understanding of the final impact, and in Q2 2018, all outstanding issues are formally settled. See note 30 in the Annual Report 2017 for further information.

NOTE 13 – RISK FACTORS

Q-Free is an international technology company exposed to several different risk factors.

The risk factors and the main risk-mitigation actions and measures are all outlined in the Annual Report 2017, note 4.

NOTE 14 – RELATED PARTY TRANSACTIONS

There are no significant related party transactions for the Q-Free Group in Q3-18.

ALTERNATIVE PERFORMANCE MEASURES

The Group presents some financial performance measures in its interim report which are not defined according to IFRS. The Group is of the opinion that these measures provide valuable complementary information to investors and the Group's management since they facilitate the evaluation of the Group's performance. As every Group does not calculate financial performance measures in the same manner, these are not always comparable with measures used by other companies. These financial performance measures should therefore not be regarded as a replacement for measures as defined according to IFRS. Performance measures not defined according to IFRS, unless otherwise stated, are presented in the tables below.

Gross contribution:

Defined as revenues reduced with cost of goods sold and contractors. Contractors are included in Gross Contribution since the cost for these services are heavily correlated with project and service revenues.

Contractors:

External consultants and / or services that are consumed under project executions and service and maintenance work.

Gross margin:

Defined as revenues reduced with cost of goods sold and contractors in percentage of revenues.

Gross contribution and gross margin	Q3 2018	Q3 2017	9M 2018	9M 2017	2017
Revenues	217 475	233 229	647 204	708 964	973 475
Cost of goods sold	-58 670	-58 026	-162 993	-212 990	-278 493
Contractors	-22 536	-27 544	-66 157	-74 157	-103 934
Gross contribution	136 269	147 659	418 054	421 817	591 048
Gross margin	62,7 %	63,3 %	64,6 %	59,5 %	60,7 %

EBITDA/EBIT:

The Group considers EBITDA / EBIT to be normal accounting terms, but they are not included in the IFRS accounting standards. EBITDA is an abbreviation for Earnings Before Interest, Taxes, Depreciation and Amortisation. The Group uses EBITDA in the income statement as a summation line for other accounting lines. These accounting lines are defined in our accounting principles, which are part of the financial statements for 2017. The same applies for EBIT.



EBITDA margin:

Defined as Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) in percentage of revenues

EBITDA margin	Q3 2018	Q3 2017	9M 2018	9M 2017	2017
Revenues	217 475	233 229	647 204	708 964	973 475
EBITDA	15 792	5 355	62 456	42 982	82 591
EBITDA margin	7,3 %	2,3 %	9,7 %	6,1 %	8,5 %

EBIT margin:

Defined as Earnings Before Interest and Taxes (EBIT) in percentage of revenues.

EBIT margin	Q3 2018	Q3 2017	9M 2018	9M 2017	2017
Revenues	217 475	233 229	647 204	708 964	973 475
EBIT	4 840	-8 561	27 041	163	4 227
EBIT margin	2,2 %	-3,7 %	4,2 %	0,0 %	0,4 %

Non-recurring items:

The Group defines non-recurring items as one-time costs, not related to the actual reporting period. Restructuring costs and settlement of dispute is classified as non-recurring items.

Non-recurring items	Q3 2018	Q3 2017	9M 2018	9M 2017	2017
Settlement of dispute	0	27 823	0	27 823	27 823
Non-recurring items in EBITDA	0	27 823	0	27 823	27 823
Impairment	0	0	0	0	21 876
Non-recurring items in EBIT	0	27 823	0	27 823	49 699

Net Interest Bearing Debt (NIBD):

Long term borrowings plus short term borrowings less cash and cash equivalents.

Net Interest Bearing Debt	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Serial loan to Danske Bank	100 000	100 000	125 000	125 000	150 000
Current debt to financial institutions	129 959	132 231	230 178	203 691	188 524
Gross Interests bearing Debt	229 959	232 231	355 178	328 691	338 524
Cash at hand and equivalents	85 888	81 195	94 375	113 633	129 258
Net Interest Bearing Debt	144 071	151 036	260 803	215 058	209 266

Net working capital:

Defined as current assets excluding cash less current liabilities and excluding short-term overdraft facilities.

Net Working Capital	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Inventories	68 627	56 110	62 961	65 453	62 120
Accounts receivables	150 783	171 497	402 315	130 487	136 155
Contract assets	81 246	67 039	47 162	227 154	169 305
Other receivables	36 048	34 177	29 806	37 868	39 642
Other Current Assets	336 704	328 823	542 244	460 962	407 222
Accounts payable	64 983	54 031	60 989	89 272	63 943
Tax payable	1 669	1 479	2 699	3 342	415
Public duties payable	12 609	12 064	59 987	14 541	15 043
Contract liabilities	25 740	21 035	27 294	11 693	11 272
Other short term debt	125 426	101 985	119 529	117 660	81 905
Current liabilities (excl debt to financial institutions)	230 427	190 594	270 498	236 508	172 578
Net Working Capital	106 277	138 229	271 746	224 454	234 644

Working capital ratio:

Defined as current assets excluding cash less current liabilities, and excluding short-term overdraft facilities in percentages of last 12 months Revenues.

Working Capital ratio	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
12 months Revenues	911 715	927 469	942 034	973 475	950 375
Net Working Capital	106 277	138 229	271 746	224 454	234 644
Working Capital ratio	11,7 %	14,9 %	28,8 %	23,1 %	24,7 %

Equity ratio:

Equity ratio is defined as equity proportion of total asset and shows financial leverage.

Equity ratio	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Total equity	393 850	400 801	399 817	414 231	408 633
Total assets	900 420	889 137	1 111 062	1 070 372	1 043 683
Equity ratio	43,7 %	45,1 %	36,0 %	38,7 %	39,2 %

Order intake:

Order intake is defined as total amount of all signed new contracts received in a defined period.

Order backlog:

Order backlog is defined as total amount of signed contracts to be delivered in future periods.

The order backlog is calculated as shown below:

Last periods backlog	
+	Received new orders
÷	This periods revenues
+ / ÷	Currency adjustments
=	End backlog reporting period

KEY INFORMATION

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Financial calendar for Q-Free ASA:

FINANCIAL YEAR 2018

27.04.2018 - Quarterly Report - Q1
13.07.2018 - Half-yearly Report
25.10.2018 - Quarterly Report - Q3
14.02.2019 - Quarterly Report - Q4



Nothing happens until something moves

– Albert Einstein

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